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26 March 1990

ORIGINAL: ENGLISH

COMMISSION ON TRANSNATIONAL CORPORATIONS
Sixteenth session
2-11 April 1990
Item 2 of the provisional agenda*

ADOPTION OF THE AGENDA AND ORGANIZATION OF WORK

Status of documentation for the session

Note by the Secretariat

The attached note provides information on the status of the pre-session documents for the sixteenth session of the Commission on Transnational Corporations, as at 23 March 1990, and is submitted to the Commission for its information, pursuant to Economic and Social Council resolution 1979/69.

In view of the schedule of the sixteenth session of the Commission on Transnational Corporations (2-11 April 1990), the documentation for the session should have been submitted to the Division of Economic and Social Council Affairs and Secretariat Services by 15 January, in order to allow adequate time for policy and other clearances, editing, translation and reproduction, and circulated by 19 February. The documents not circulated by that date are listed in the annex below.

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* E/C.10/1990/1.

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Annex

STATUS OF DOCUMENTATION AS AT 23 MARCH 1990

Agenda item	Document and symbol	Date of submission to the Division of Economic and Social Council Affairs and Secretariat Services	Date of submission to the Department of Conference Services	Actual or projected date of issue*
3	Recent developments related to transnational corporations and international economic relations			
	Report of the Secretary-General on recent developments related to transnational corporations and international economic relations (E/C.10/1990/2)	2 February	1 March	29 March
	Report of the Secretary-General on transnational corporations and development: policies to stimulate the transfer of investment capital, technology and skills to developing countries in the 1990s (E/C.10/1990/3)	15 January	18 January	8 February
	Report of the Secretary-General on home country incentives for investment in least developed countries (E/C.10/1990/4)	15 January	19 January	5 March

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Agenda item	Document and symbol	Date of submission to the Division of Economic and Social Council Affairs and Secretariat Services	Date of submission to the Department of Conference Services	Actual or projected date of issue*
4	Work related to the code of conduct on transnational corporations and other international arrangements and agreements:			
	(a) Code of conduct on transnational corporations			
	Report of the Secretary-General on progress made in the work on the code of conduct on transnational corporations (E/C.10/1990/5)	**15 January**	**29 January**	**28 March**
	(b) Other international, regional and bilateral arrangements and agreements related to transnational corporations			
	Report of the Secretary-General on international arrangements and agreements related to transnational corporations (E/C.10/1990/6)	15 January	8 February	29 March

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Agenda item	Document and symbol	Date of submission to the Division of Economic and Social Council Affairs and Secretariat Services	Date of submission to the Department of Conference Services	Actual or projected date of issue*
5	International standards of accounting and reporting			
	Report of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting on its eighth session (13-23 March 1990) (E/C.10/1990/7)			
6	Transnational corporations in South Africa and Namibia:			
	(b) Responsibilities of home countries with respect to the transnational corporations operating in South Africa and Namibia in violation of the relevant resolutions and decisions of the United Nations			
	Report of the Secretary-General on measures relating to trade, finance, investment and technology transfers to South Africa (E/C.10/1990/8)	22 January	1 February	15 March

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Agenda item	Document and symbol	Date of submission to the Division of Economic and Social Council Affairs and Secretariat Services	Date of submission to the Department of Conference Services	Actual or projected date of issue*
7	Transnational corporations and issues relating to the environment			
	Report of the Secretary-General on ongoing and future research on transnational corporations and issues relating to the environment (E/C.10/1990/10)	18 January		
8	Role of transnational corporations in services, including transborder data flows:			
	(a) Role of transnational banks			
	Report of the Secretary-General on transnational banks and external indebtedness (E/C.10/1990/11)	15 January	6 February	28 March
	(b) Role of transnational corporations in other services			
	Report of the Secretary-General on transnational service corporations and the Uruguay Round (E/C.10/1990/12)	15 January	1 March	29 March

Agenda item	Document and symbol	Date of submission to the Division of Economic and Social Council Affairs and Secretariat Services	Date of submission to the Department of Conference Services	Actual or projected date of issue*
9	Ongoing and future research			
	Report of the Secretary-General on trade-related aspects of intellectual property rights and trade-related investment measures (E/C.10/1990/13)	15 January	7 March	29 March
	Report of the Secretary-General on the activities of the United Nations Centre on Transnational Corporations and the activities of the joint units established with the regional commissions (E/C.10/1990/16)	18 January	22 February	29 March
	Report of the Secretary-General on non-conventional transnational corporations (E/C.10/1990/18)	15 January	5 March	29 March
10	Strengthening the negotiating capacity of developing countries in their dealings with transnational corporations			
	Report of the Secretary-General on foreign direct investment in Africa and strategies to encourage transnational corporations to respond positively to the improved investment climate (E/C.10/1990/9)	17 January	13 March	30 March

Agenda item	Document and symbol	Date of submission to the Division of Economic and Social Council Affairs and Secretariat Services	Date of submission to the Department of Conference Services	Actual or projected date of issue*
	Report of the Secretary-General on experience gained in technical co-operation activities with respect to the formulation and implementation of foreign investment policies (E/C.10/1990/14)	15 January	1 February	20 March
	Report of the Secretary-General on the activities of the United Nations Centre on Transnational Corporations and the activities of the joint units established with the regional commissions (E/C.10/1990/16)	18 January	22 February	29 March
11	Comprehensive information system			
	Report of the Secretary-General on information services provided by the United Nations Centre on Transnational Corporations to developing countries (E/C.10/1990/15)	15 January	15 February	28 March
	Report of the Secretary-General on the activities of the United Nations Centre on Transnational Corporations and the activities of the joint units established with the regional commissions (E/C.10/1990/16)	18 January	22 February	29 March

Agenda item	Document and symbol	Date of submission to the Division of Economic and Social Council Affairs and Secretariat Services	Date of submission to the Department of Conference Services	Actual or projected date of issue*
12	Activities of the United Nations Centre on Transnational Corporations			
	Report of the Secretary-General on the activities of the United Nations Centre on Transnational Corporations and the activities of the joint units established with the regional commissions (E/C.10/1990/16)	18 January	22 February	29 March
13	Question of expert advisers			
	Note by the Secretariat on the question of expert advisers (E/C.10/1990/17)	15 January	18 January	2 February
	(E/C.10/1990/17/Add.1)	22 March		

* The date of issue can be indicated only for those documents that have reached the Department of Conference Services for processing.

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COMMISSION ON TRANSNATIONAL CORPORATIONS
Sixteenth session
2-11 April 1990
Item 2 of the provisional agenda*

ADOPTION OF THE AGENDA AND OTHER ORGANIZATIONAL MATTERS

Organization of the work of the session

Note by the Secretariat

The draft organization of work for the sixteenth session of the Commission on Transnational Corporations, which is contained in the annex to the present note, has been prepared in order to facilitate the Commission's consideration of the items on the agenda for the session within the time and conference services allocated to it.

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* E/C.10/1990/1.

Annex

DRAFT ORGANIZATION OF WORK

First week (2-6 April)

Monday, 2 April a.m.	Item 1	Election of officers
	Item 2	Adoption of the agenda and organization of work Documentation: E/C.10/1990/1 and E/C.10/1990/L.1 and L.2
	Item 3	Recent developments related to transnational corporations and international economic relations Documentation: E/C.10/1990/2, 3 and 4
p.m.	Item 3	Conclusion of general discussion
Tuesday, 3 April a.m.	Item 7	Transnational corporations and issues relating to the environment Documentation: E/C.10/1990/10
p.m.	Item 7	Conclusion of general discussion
	Item 8 (a)	Role of transnational corporations in services, including transborder data flows: role of transnational banks Documentation: E/C.10/1990/11

6 p.m.: deadline for the submission of draft proposals under item 3

Wednesday, 4 April a.m.	Item 8 (b)	Role of transnational corporations in services, including transborder data flows: role of transnational corporations in other services Documentation: E/C.10/1990/12

p.m.	Item 9	Ongoing and future research Documentation: E/C.10/1990/13, 16 and 18

6 p.m.: deadline for the submission of draft proposals under items 7 and 8 (a)

Thursday, 5 April a.m.	Item 4 (a)	Work related to the code of conduct on transnational corporations and other international arrangements and agreements: code of conduct on transnational corporations Documentation: E/C.10/1990/5
p.m.	Item 4 (b)	Work related to the code of conduct on transnational corporations and other international arrangements and agreements: other international, regional and bilateral arrangements and agreements related to transnational corporations Documentation: E/C.10/1990/6
	Item 5	International standards of accounting and reporting Documentation: E/C.10/1990/7

6 p.m.: deadline for the submission of draft proposals under items 8 (b) and 9

Friday, 6 April a.m.	Item 6	Transnational corporations in South Africa and Namibia Documentation: A/44/576-S/20867, annex; E/C.10/1990/8
	Item 10	Strengthening the negotiating capacity of developing countries in their dealings with transnational corporations Documentation: E/C.10/1990/9, 14 and 16

p.m.	Item 10	Conclusion of general discussion
	Item 11	Comprehensive information system
		Documentation: E/C.10/1990/15 and 16

6 p.m.: deadline for the submission of draft proposals under items 4 and 5

Second week (9-11 April)

Monday, 9 April

a.m.	Item 12	Activities of the United Nations Centre on Transnational Corporations
		Documentation: E/C.10/1990/16 and E/C.10/1990/CRP.1
	Item 13	Question of expert advisers
		Documentation: E/C.10/1990/17 and Add.1

1 p.m.: deadline for the submission of draft proposals under items 6, 10 and 11

6 p.m.: deadline for the submission of draft proposals under items 12 and 13

Tuesday, 10 April

a.m./p.m.	Item 14	Provisional agenda for the seventeenth session of the Commission
		Consideration of draft proposals

Wednesday, 11 April

a.m./p.m.	Item 15	Adoption of the report of the Commission on its sixteenth session.

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COMMISSION ON TRANSNATIONAL CORPORATIONS
Sixteenth session
2-11 April 1990
Agenda item 15

ADOPTION OF THE REPORT OF THE COMMISSION ON ITS SIXTEENTH SESSION

Draft report

Rapporteur: Mr. Jon RAMBERG (Norway)

Chapter ___

A. Opening and duration of the session

1. The Commission on Transnational Corporations held its sixteenth session at United Nations Headquarters from 2 to 11 April 1990. The Commission held ____ meetings (1st to _____).

2. The session was opened by the Executive Director of the Centre on Transnational Corporations.

B. Attendance

3. The following States members of the Commission attended the session: Argentina, Brazil, Byelorussian Soviet Socialist Republic, Canada, China, Costa Rica, Cuba, Cyprus, Czechoslovakia, Egypt, France, German Democratic Republic, Germany, Federal Republic of, Ghana, India, Indonesia, Iran (Islamic Republic of), Italy, Jamaica, Japan, Mexico, Netherlands, Norway, Peru, Philippines, Poland, Republic of Korea, Sierra Leone, Swaziland, Switzerland, Tunisia, Turkey, Uganda, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America, Uruguay, Venezuela, Zaire and Zimbabwe.

4. The following expert advisers attended the session: José Maria Basagoiti (Mexico), Ernst-Otto Czempiel (Federal Republic of Germany), Peter Frerk (Federal Republic of Germany), Roland Guyvarc'h (France), Laurence McQuade (United States of

America), Alexis Sierralta (Venezuela), Kari Tapiola (Finland), Raul Trajtenberg (Uruguay/Argentina), Wang Linsheng (China), Nikolai G. Zaitsev (Union of Soviet Socialist Republics), William Robbins (United Kingdom of Great Britain and Northern Ireland).

5. The following States members of the United Nations were represented by observers: Austria, Bangladesh, Belgium, Bolivia, Chile, Fiji, Hungary, Ireland, Mali, Mongolia, Papua New Guinea, Romania, Spain, Sweden and Yugoslavia.

6. The following specialized agencies were represented: International Labour Organisation, World Bank.

7. The following intergovernmental organizations were represented by observers: Commission of the European Communities, International Bauxite Association, Organisation for Economic Co-operation and Development.

8. The following non-governmental organizations in consultative status with the Economic and Social Council, Category I, were represented by observers: International Chamber of Commerce, International Confederation of Free Trade Unions, International Council of Women, World Federation of Trade Unions.

C. Election of officers

9. At its 1st and 5th meetings, on 2 and 5 April, the Commission elected the following officers by acclamation:

Chairman: Marek Kulczycki (Poland)

Vice-Chairmen: Carlos Sersale di Cerisano (Argentina)
Adian Silalahi (Indonesia)
Lukabu Khabouji N'Zaji (Zaire)

Rapporteur: Jon Ramberg (Norway)

D. Agenda and organization of work

10. At its 1st meeting, on 2 April, the Commission adopted the provisional agenda contained in document E/C.10/1990/1 (see annex I).

11. At the same meeting, the Commission approved the organization of work of the session as set out in document E/C.10/1990/L.2, as orally amended.

E. Documentation

12. The documents before the Commission at its sixteenth session are listed in annex II.

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COMMISSION ON TRANSNATIONAL CORPORATIONS
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ADOPTION OF THE REPORT OF THE COMMISSION ON ITS SIXTEENTH SESSION

Draft report

Rapporteur: Jon RAMBERG (Norway)

Chapter ____

INTRODUCTORY STATEMENT

1. Mr. Antoine Blanca, Director-General for Development and International Economic Co-operation, in his opening address to the Commission, stressed the growing integration processes and increased interdependence in the World Economy, which provided new opportunities to Transnational Corporations to play a constructive and significant role in increasing trade, transfer of capital, technology and managerial expertise. The Director-General briefly indicated some of the main issues concerning the role of Transnational Corporations that required the close attention of the international community. He referred specifically to the role of Transnational Corporations in tackling such global problems as the protection of the environment and the solution of the debt crisis. The Director-General also indicated the need to deal on a priority basis with such emerging problems as the role of foreign direct investment in services, the implications of regional integration processes, the role of Transnational Corporations in the development of the least developed countries and the consequences of developments in Eastern Europe for patterns of foreign direct investment flows.

2. He stressed the continuing need for agreed international norms and standards concerning the conduct of Transnational Corporations, as well as the need for monitoring the role of Transnational Corporations in different national economies with a view to identifying areas of action for ensuring a congruence between the business interests of Transnational Corporations and the socio-economic objectives of host countries.

* * *

RECENT DEVELOPMENTS RELATED TO TRANSNATIONAL CORPORATIONS AND INTERNATIONAL ECONOMIC RELATIONS

3. The Commission considered item 3 of its agenda at its 1st, 2nd and 3rd meetings, on 2 and 3 April 1990. It had before it the reports of the Secretary-General on recent developments related to transnational corporations and international economic relations (E/C.10/1990/2), on transnational corporations and development: policies to stimulate the transfer of investment capital, technology and skills to developing countries in the 1990s (E/C.10/1990/3) and on home country incentives for investment in least developed countries (E/C.10/1990/4). The Commission decided to consider policy proposals contained in the document E/C.10/1990/3 under the agenda item on the activities of the Commission on Transnational Corporations.

4. In his opening statement, the Executive Director pointed out that world-wide flows of foreign direct investment had grown by 4 per cent in 1988, to reach $150 billion; all signs indicated a greater acceleration in 1989. However, developing countries had received a declining share of the global foreign-direct-investment flows, despite growth in absolute terms in the second half of the 1980s. The most rapid rise in global foreign-direct-investment movements had been into developed countries. One factor behind this was the increasingly strong competitive position of non-United States transnational corporations, which had expanded their direct investment in North America. Regional economic integration among developed countries in Western Europe and North America had also accelerated the flows of foreign direct investment within and into those regions, presenting both positive and negative implications for developing countries. Finally, recent events, which had led to the emergence of Eastern Europe and the USSR as new host countries for foreign direct investment, promised to increase the activities of transnational corporations in that region, depending on the latter's ability to implement market-oriented policy reform. Continued attractiveness of developed country locations helped to explain the declining share of foreign direct investment into developing countries despite the implementation of favourable foreign direct investment policies by the latter in recent years. He observed that the situation was especially disturbing for the least developed countries, where inflows of foreign direct investment had been reduced to a mere trickle. In this context, he noted the importance of actions by home countries to encourage their transnational corporations to seize incentives offered by those countries under present policy changes. The Executive Director suggested the desirability of performing country case studies, as part of an effort to enact broader, more effective policies aimed at increasing the flows of foreign direct investment to developing countries. Those studies could serve not only to pinpoint the impact of foreign direct investment on the economic development of a country and the policies that could help stimulate the transfer of investment, technology and skills to developing countries, they could also help identify areas to which the United Nations and bilateral donors could direct its technical assistance. Such country studies could be a positive step by the Commission to ensure that developing countries reaped the maximum benefit from the investment activities of transnational corporations.

5. All delegations recognized the potential of positive contributions that transnational corporations could make to world development and to a further

integration of the world economy. Many delegations noted rapidly changing attitudes and policies of developing countries towards transnational corporations and foreign direct investment. Past hostility and wariness were giving way to more open policies aimed at attracting foreign direct investment inflows. Many developing country delegations stated that those countries favoured transnational corporations activities provided that they were beneficial to the host countries.

6. Many delegations noted with concern the falling share of world-wide foreign-direct-investment flows going to developing countries in the latter years of the 1980s, despite the widespread enactment of foreign direct investment policies in host countries aimed at liberalizing and encouraging such investments. In this context, it was noted that the failure of developing countries to have wide access to capital and technology would have negative implications for the stability and growth of the world economic system as a whole, developed countries included. Several delegations observed that absolute levels of foreign-direct-investment inflows were more relevant indicators than the share of total, and that since the former had been growing in recent years in developing countries, the outlook regarding foreign direct investment into those countries appeared brighter than the views expressed by many delegations. Some delegations observed that macro-economic conditions were more important than specific foreign-direct-investment policies in attracting new foreign-direct-investment inflows, and highlighted the need to find solutions to the current debt crisis as a means to increase foreign-direct-investment flows into developing countries. In addition, new technologies and materials had contributed to the increase in the share of foreign direct investment going to developed countries at the expense of developing countries. One delegation also stressed the importance of the consistency and stability of foreign-direct-investment policies in attracting new investments by transnational corporations.

7. Latin American delegations pointed out that the total debt, amounting to $500 billion, was hindering the development process, particularly because of the negative net transfer of resources. They supported the idea of continuing the innovative measures initiated by banks with the aim of solving the debt problem. They also thought that the economic environment did not help the initiatives for sustainable development. In this regard, international trade liberalization, access to international markets, improvement of terms of trade, were necessary to start the process of growth and development of their region. The need for transfer of technology from developed countries through foreign direct investment or economic programmes was mentioned, and concern was expressed at the low levels of foreign direct investment in the region. Many of these delegations gave details of the fiscal and economic adjustment programmes that they had initiated. In this context, the developed countries were requested to create international conditions to enhance trade with developing countries and promotion of foreign direct investment to the region.

8. Many delegations noted with concern that the least developed countries continued to be largely by-passed by foreign direct investment inflows despite adjustment efforts in their economies and changes in foreign direct investment policies aimed at attracting foreign direct investments. Most delegations agreed that the gravity of the situation required a co-ordinated action not only by host

countries but also by home countries and international organizations. Home country incentives for investment usually did not take into account special problems of the least developed countries and were directed to all developing countries. Therefore, some delegations called for special incentive programmes by home countries designed to support increased flows of foreign direct investment to the least developed countries. They spoke in favour of measures proposed in the document E/C.10/1990/4, including the removal of remaining obstacles to outward investment, unilateral fiscal concessions, earmarking for the least developed countries a proportion of financial resources to support foreign investment and further liberalization of trade measures in favour of least developed countries. One delegation expressed the view that special measures applying solely to the least developed countries needed further consideration. Other delegations, while supporting special foreign direct investment measures for least developed countries, stressed that in view of the gravity of the problems of those countries, the increased foreign direct investment would not be sufficient to solve those problems and should be considered as part of a broader action, including inflows of additional resources from other sources such as official development assistance aimed at strengthening private enterprises, developing infrastructure in its broadest sense, including health and education, and improving financial services. Some delegations noted that many least developed countries had not yet reached a level of development that was conducive to substantial foreign direct investment. Some delegations provided additional information on measures taken by their countries to encourage investment by their transnational corporations in developing countries.

9. Many delegations noted that changes in Eastern Europe and the USSR were likely to lead to increased foreign direct investment into those countries, and some of them expressed the concern that they had a potential to compete with foreign direct investment flows to developing countries. Other delegations noted that that potential had not yet materialized and flows to that region did not have to compete with the flows of foreign direct investment to developing countries. It was observed that there was no fixed amount of world-wide foreign direct investment. If new investment opportunities abroad emerged, transnational corporations were in a position to increase funds allocated to such investment and did not have to shift foreign direct investment from one location to another. Many delegations agreed that in the medium and long run, changes in Eastern Europe and the USSR might have a positive impact on the world economy, including developing countries, though in the short term some diversion of foreign investment flows away from developing countries could not be ruled out.

10. A number of delegations expressed the view that it might be useful to analyse on a regular basis the implications of the trends mentioned above, for international economic relations, including foreign direct investment flows.

11. Many delegations noted that regional economic integration among developed market economies helped to stimulate foreign direct investment into and within integrated regions, while similar arrangements among developing countries had so far not had the same result. One delegate affirmed, however, that the integration scheme to which his country belonged had contributed to increased foreign direct investment inflows. Many delegations agreed that there were both positive and

negative implications of the single market programme in Europe for developing countries. Several delegations stressed the potential negative implications, expressing concern that economic integration in Western Europe and North America might threaten developing countries in the form of lessened foreign direct investment flows to the latter. Other delegations remarked that the single market programme in Europe would help developing countries in the form of increased foreign direct investment by European transnational corporations, which would become more internationally competitive in the world economy. The same delegations pointed out that the European Community would be in a position to play a stronger international role, contributing to overall world prosperity and greater support for developing countries and that trade liberalization was a key success factor in the single market programme. One delegate pointed out that the United States-Canada Free Trade Agreement did not create any new barriers to foreign direct investment and was aimed at creating a more open environment for foreign direct investment. Another delegation underlined the fact that the 1992 programme in Europe was a fundamental factor in determining the level of foreign direct investment into neighbouring developing countries.

12. Some delegations, noting the problematic experience of regional economic integration in developing countries, stated that it was not possible to compare them with similar efforts in developed countries either in scope or purpose. It was stated that the reason for that was that developing countries did not have sufficient purchasing power necessary to make their regional economic integration programmes a success. It was also noted that regional economic integration was not an end in itself, but a way for countries to grow together. It was not surprising that integration schemes among developing countries had stagnated, given the fact that the need for servicing compelled them to trade with developed market economies rather than with their regional partners. One delegation pointed out that the competitiveness of the economies of developing countries did not inhibit the success of their regional economic integration efforts, noting the potential of integration programmes among developing countries to lead to increased intra-industry trade and foreign direct investment, as had happened on a wide scale among developed countries.

13. Delegations suggested a number of areas for further research work and technical co-operation. Many delegations deemed that further research of the implications of the emerging integrated market of the European Economic Community, as well as other integration arrangements including bilateral agreements in North America, deserved close scrutiny and analysis. Another area that warranted research were changes in Eastern Europe and the USSR and their impact on flows of foreign direct investment to that region and to developing countries. A few delegations emphasized the need to broaden the analysis of recent trends to cover not only inflows of foreign direct investment but also other associated financial flows in both directions. Some delegations expressed interest in technical co-operation programmes for Eastern Europe and the USSR, stressing, however, that they should not be carried out at the expense of programmes for developing countries.

14. Suggestions made for the future work of the Centre with regard to the role of transnational corporations in the least developed countries included a contribution on the subject to the second United Nations Conference on the Least Developed Countries, scheduled to take place in September 1990; studies assessing the efficiency of foreign direct investment policies and examining the determinants of foreign direct investment in the least developed countries; and an Expert Group meeting to attract such investment into those countries. The least developed countries should maintain high priority in the Centre's work.

15. A number of countries supported the idea to undertake country assessment studies, provided that they were done entirely on a voluntary basis and did not involve any evaluation by the Commission. A few delegations expressed reservation with regard to the Centre's taking up that task.

16. In his concluding remarks, the Executive Director expressed his satisfaction at the broad consensus emerging from the discussion about the role of transnational corporations in international development, which reflected the positive change in the perception of the foreign direct investment process. While recognizing the absolute growth of foreign direct investment inflows to developing countries, he observed that the declining share of those countries in world-wide inflows was an issue of concern because that was a sign of relative disintegration from the world economy; and many least developed countries received hardly any foreign direct investment. He agreed that regional integration of developed market economies and changes in Eastern Europe and USSR bore the potential for long-term positive effects for the world economy, including developing countries; potential short-term adverse implications should not be overlooked. Those developments should be a subject of further studies. Finally, the Executive Director said that the proposal to undertake studies to enable the Commission to play a role in assessing the impact of foreign investment on national economies clearly fell within the mandate of the Commission and that such assessments should be entirely voluntary.

Actions taken by the Commission

17. The Commission took note of the report of the Secretary-General on recent developments related to transnational corporations and international economic relations (E/C.10/1990/2). It requested the Secretariat to prepare for its seventeenth session another report on recent developments related to transnational corporations and international economic relations, taking into account the comments made by the delegations at the sixteenth session. The report should also address the implications for foreign direct investment and related forms of international economic co-operation, of developments in Eastern Europe and the USSR, particularly with a view to identifying ways and means through which developing countries might benefit from those developments.

18. The Commission took note of the report of the Secretary-General on the home country incentives for investment in least developed countries (E/C.10/1990/4). It requested the Secretariat to participate fully in the review of the implementation of the Substantial New Programme of Action for the Least Developed Countries and undertake further studies relevant to the role of transnational corporations in these countries.

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Sixteenth session
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Agenda item 15

ADOPTION OF THE REPORT OF THE COMMISSION ON ITS SIXTEENTH SESSION

Draft report

Rapporteur: Jon RAMBERG (Norway)

Chapter ____

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ROLE OF TRANSNATIONAL CORPORATIONS IN SERVICES, INCLUDING TRANSBORDER DATA FLOWS

1. The Commission considered item 8 of its agenda at its 4th, 5th and 6th meetings on 3 and 4 April 1990. It had before it the reports of the Secretary-General on transnational banks and external indebtedness (E/C.10/1990/11) and on transnational service corporations and the Uruguay Round (E/C.10/1990/12).

A. Role of transnational banks

2. In introducing the item, the Acting Assistant Director of the Policy Analysis and Research Division of the Centre observed that there was hardly any dispute in the international community that the shadow of the external debt problem continued to cast gloom on the development prospects of a large number of countries. A large part of external debt of countries facing debt-servicing problems was owed to transnational banks. Twenty-five banks with a high degree of transnationality accounted for the mobilization of well over 80 per cent of developing countries' bank loans. As regards past activities, transnational banks had contributed to the reduction of debt or its immediate servicing cost in several ways. Among these were: negotiated interest reductions in the course of restructuring agreements, the rescheduling of principal repayments, the informal acceptance of interest arrears, and participation in various forms of debt conversions at considerable discounts. He noted that such contributions notwithstanding, the claims of commercial banks on 17 major debtor countries (including Hungary and Poland) in 1988 were nearly $60 billion more than in 1982. Their debt service, as a proportion of their exports of goods and services, averaged more than 40 per cent. In consequence, a substantial outflow of resources from those debtor countries to the rest of the world persisted with its inescapable implications for a decline in investment, consumption and expenditure on vital social services such as health and education.

3. The Brady plan undoubtedly represented a major step forward in the international perception of the debt problem in its explicit recognition of the need to reduce the stock and service of debt owed to transnational banks. It contained a number of elements aimed at encouraging transnational banks to contribute to the process of debt reduction. However, he observed that given the financial resources currently forseeable to support the implementation of the Brady plan and the instrumentalities for effecting the reduction envisaged under it, the anticipated impact would be inadequate to meet the debt reduction needs of debtor countries. Moreover, the information available on the agreements so far reached between the debtor countries and their creditor banks within the framework of the plan also supported the conclusion that the relief brought about by them was less than what is needed.

4. Additional measures that could be taken to reduce the burden of debt/debt service related to: (a) the discretion given to transnational banks in choosing between debt reduction and new money options; (b) flexibility in the use of official resources by the debtor countries for the purpose of debt reduction;

(c) the extent of voluntariness of the participation of commercial banks in debt-reduction deals; (d) the need to determine the extent of reduction required for different countries by an international financial institution; (e) reforms in accounting, tax and regulatory provisions by creditor countries; (f) measures to expand the scope of debt/equity conversions by debtor as well as creditor countries; (g) ways to reduce capital flight from debtor countries; and (h) the creation of a new institutional arrangement to expedite debt-reduction negotiations.

5. Most delegations, particularly from Latin America, expressed the view that the continuing problem of external indebtedness posed a serious problem for the revitalization of growth in developing countries. It contributed to unstable economic environment in those countries and was a key factor in the reduction of flows of foreign direct investment. Moreover, the problem of debt should be viewed in the broader context of trade, resource flows and development.

6. Many delegations noted that there was a close relationship between transnational banks and external debt, a large part of which was owed to transnational banks. While observing that some progress was achieved in the reduction of the stock and service of debt owed to transnational banks and noting some of the actions taken by transnational banks for that purpose, it was recalled that those measures did not prove very effective and the burden of debt was getting progressively heavier. Those delegations considered the Brady plan to be an important step, but stressed the need for further innovative actions by the international community including transnational banks and their home countries to effect reduction of debt commensurate with the needs of debtor countries, and they voiced their support for the proposals contained in the Secretary-General's report on the subject. The need for reversal of net outflow of resources from debtor countries and for injection of fresh capital was emphasized. In that context, it was also observed that the criticism often addressed to developing countries with respect to capital flight was not always appropriate since, in many cases, capital flight was facilitated by transnational banks.

7. Some delegations, while recognizing that the Commission on Transnational Corporations and the Centre had a useful role to play in the area of debt owed to transnational banks, observed that Bretton Woods institutions were the primary forums for discussion of the relevant issues. A few delegations elaborated on the steps taken by the respective countries to reduce the burden of debt.

8. A few delegations indicated that, in order to facilitate debt reduction measures by transnational banks, steps were required also on the part of governments of countries which are home to three banks, particularly in the field of tax and accounting regulations.

9. Some delegations observed that though the report presented before the Commission was useful for the further work of the United Nations with regard to the debt problem, the recommendations could be made more specific and concrete. One delegation commented that the measures proposed in the report were not appropriate for debt owed to Governments and that there could be greater analysis of the role of foreign direct investment as a means to reduce the burden of debt. Another delegation observed that the proposals in the report should not stand in the way of convergence between debtor countries and transnational banks.

10. Some delegations expressed the opinion that the discussion of debt issue fell outside the mandate of the Commission on Transnational Corporations. One delegation disagreed with the observation in the report that the debt strategy outlined in the Brady plan would not have significant effect on debt reduction and also with the proposal for the creation of a new institution. The delegation stressed the need for linking debt reduction to policy reforms and for case-by-case approach.

11. Latin American countries considered this agenda item particularly important, pointing out that it dealt with indebtedness of the region and the role of transnational banks and, in this context, encouraged the Centre to continue the studies and analysis of the situation.

12. Several delegations offered suggestions for future work by the Centre concerning the role of transnational banks. Among them were the role of transnational banks in the development of financial sector and development of capital markets; impact of changes in regulatory policies; their role in securing access to foreign direct investment and international trade; the positive contributions by transnational banks through on-shore operations; their role in capital flight; and analysis of different countries' experiences with debt-equity swaps from the point of view of their success in attracting foreign direct investment, extent of appropriation of discounts by debtor countries, impact on inflation and contribution to exports.

13. In his concluding statement, the Acting Assistant Director thanked the delegates for their comments on the report. He observed that no one disputed the seriousness of the debt problem both in the context of overall development and of impact on flows of foreign direct investment and stated that the Centre would stand ready to undertake further studies on the subject, if so desired by the Commission.

Action taken by the Commission

14. The Commission took note of the report of the Secretary-General on transnational banks and external indebtedness (E/C.10/1990/11) and requested the Centre to continue further studies on the subject in the light of the discussions at its sixteenth session.

B. Role of transnational corporations in other services

15. The Commission considered item 8 (b) of its agenda at its 3rd, 4th and 5th meetings, on 3 and 5 April 1990. It had before it the report of the Secretary-General on transnational corporations in services other than banking (E/C.10/1990/12).

16. In introducing the item, the Acting Assistant Director of the Policy Analysis and Research Division of the Centre outlined foreign direct investment issues related to the negotiations on trade in services in the Uruguay Round of Multilateral Trade Negotiations. He drew attention to the difficulty of drawing a

boundary line between foreign direct investment and trade in services. The intangible and non-storable nature of services required that many of them must be produced when and where they were consumed, that is, by foreign affiliates. One could distinguish between various alternative modes of delivery of services, including the cross-border movement of services and information, the movement of persons, licensing or other non-equity arrangements, commercial presence in the form of sales or representative offices, and the establishment of affiliates by services producers. In some services more than one of the alternatives might be available, and, as the Montreal mid-term review of the Uruguay Round suggested, "foreign services may be supplied according to the preferred mode of delivery". In many services, however, the establishment of foreign affiliates involving equity or non-equity arrangements was the most common mode of delivery. This highlighted the importance of the distinction between trade and foreign direct investment because, depending upon whether a transaction was defined as "trade" or "foreign direct investment", different policy régimes might apply.

17. He referred to some sectoral considerations relating to the role of transnational corporations in services, drawing attention to the role played by transnational corporations in international transactions in the six industries examined by the Group of Negotiations on Services of the Uruguay Round. Their impact upon the host economies in areas such as employment, trade, and the balance of payments was likely to vary from sector to sector. Their major common contribution to host country development was, however, the transfer of technology, including knowledge, skills, and management expertise. Measures promoting the transfer of technology by transnational service corporations would, therefore, be an important element of any multilateral framework relating to services. In this context, a number of concepts that have been elaborated in international instruments relating to foreign direct investment including, in particular, the Code of Conduct on Transnational Corporations, were relevant to the negotiations on trade in services and might usefully complement any eventual framework on trade emerging from the Uruguay Round.

18. Most delegations taking the floor agreed that issues relating to the liberalization of services and the role of transnational corporations in the delivery of services were important in the context of the multilateral trade negotiations of the Uruguay Round. The difficulty of distinguishing between trade, foreign direct investment and other modes of delivery was acknowledged. One delegation expressed the view that an improved understanding of the distinction between various types of transactions in services could be important, among others, in determining the coverage of the framework that might emerge from the negotiations. Another delegation was of the view that attempts to define trade in services had been largely unsuccessful and divergent definitions had led to a variety of proposals regarding principles and rules for international transactions in services. Another delegation suggested that the question of distinguishing between alternative modes was of interest mainly for data-gathering purposes. Most delegations agreed that policy issues relating to international transactions in services, including those involving the establishment and presence of transnational corporations, deserved attention especially from the perspectives of development and growth. In that context, reference was made to the relevance of considerations relating to specific sectors which were raised in document E/C.10/1990/12. One

delegation questioned the need for a re-examination of current international régimes and policies prohibiting foreign carriers in domestic transport in view of the concentration of international air and shipping services in the hands of developed country firms. The same delegation drew attention to the potential problems that could result from liberalization or opening up to foreign firms in terms of foreign exchange leakages, employment concentration in low-skilled categories in the tourism sector, and crowding out of local companies in the financial sector. Another delegation expressed the view that since services trade surpluses were presently concentrated in developed countries, the issue of expanding services exports by developing countries should be given special attention.

19. Some delegations observed that a Code of Conduct on Transnational Corporations would provide a guide for transnational corporations in services and could usefully complement the framework on services that might be emerging from the Uruguay Round. Attention was also drawn to the relevance of the UNCTAD Set of Multilaterally Agreed Equitable Principles for the Control of Restrictive Business Practices in the context of liberalized trade in goods and services. It was observed, however, that there was no direct link between the Uruguay Round negotiations and negotiations on the Code of Conduct on Transnational Corporations.

20. Most delegations stressed the importance of the Centre's research in the area of foreign direct investment and transnational corporations in services. In particular, they emphasized the need for policy-oriented studies on the impact and implications for countries, particularly developing ones, of the liberalization of foreign direct investment and trade in services, focusing especially on industries of interest to host countries. In that context they underlined the need for close co-ordination of the Centre's work with that of other concerned agencies such as GATT and UNCTAD. They also supported the Centre's technical assistance efforts in the area of services, with particular focus on policies and measures relating to foreign direct investment and transnational corporations in services.

21. In his concluding remarks, the Acting Assistant Director said that the discussion had reaffirmed the conceptual difficulties of distinguishing between trade and foreign direct investment in services. He assured the Commission that close co-ordination existed between the Centre and other agencies, particularly UNCTAD and GATT, as regards work in the area of services, and that their respective focuses were clear, with the Centre's work concentrated on foreign direct investment in services and that of the others on trade.

Action taken by the Commission

22. The Commission took note of the report of the Secretary-General on transnational corporations in services other than banking (E/C.10/1990/12). It requested the Secretary-General to conduct further in-depth research and technical co-operation in the area of services, taking into account the deliberations of the Commission, and to submit a report thereon to the Commission at its seventeenth session.

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ADOPTION OF THE REPORT OF THE COMMISSION ON ITS SIXTEENTH SESSION

Draft report

Rapporteur: Jon RAMBERG (Norway)

Chapter ___

Corrigendum

1. Paragraph 5, line 1

   After Most delegations delete particularly from Latin America

2. Between paragraphs 6 and 7, insert a new paragraph reading

   Two delegations commended the report of the Secretary-General on the role of transnational banks and the external debt, in particular the studies regarding the need to reduce the debt in Latin America, and recommended a continuation of this work by the Centre.

3. Paragraph 11

   Delete the text

4. Paragraph 17

   After the first sentence, insert

   One delegation, however, affirmed that the discussions taking place at the Uruguay Round should be delinked from those regarding the code of conduct on transnational corporations.

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Rapporteur: Jon RAMBERG (Norway)

Chapter ___

Ongoing and future research

1. The Commission considered item 9 of its agenda at its 5th meeting, on 5 April 1990. It had before it the reports of the Secretary-General on trade-related aspects of intellectual property rights (TRIPS) and trade-related investment measures (TRIMs) (E/C.10/1990/13), and on non-conventional transnational corporations (E/C.10/1990/18). A third report related to this agenda item, on the activities of the United Nations Centre on Transnational Corporations and of the joint units established with the regional commissions (E/C.10/1990/16), was considered separately under agenda item 12 (on the activities of the Centre on Transnational Corporations).

2. The Executive Director of the Centre introduced the report on TRIPS and TRIMs, stating that the Centre had sought to examine the impact of intellectual property protection on technology and investment flows, and of trade-related investment measures on the behaviour of investors and on economic development in host countries.

3. He noted that all countries had an interest in providing adequate protection and enforcement of intellectual property rights, particularly developing countries as net importers of technology and foreign investment. However, the impact of intellectual property protection on technology and investment flows had not always been uniform in all countries. The mixed evidence on impact suggested that most countries - particularly developing countries - found it necessary to complement intellectual property protection with an appropriate set of investment and transfer-of-technology measures.

4. The evidence on the impact of TRIMs was similar: there were both positive and negative effects in the use of particular investment measures; but there was already a clear trend towards the liberalization of such measures, although the mixed evidence suggested that host countries may still need to use certain investment measures in particular situations, such as to address market imperfections or for other public policy reasons.

5. The report on non-conventional transnational corporations focused on small and medium-sized transnational corporations, transnational corporations from developing countries, and enterprises in Eastern Europe and the USSR with investments abroad. Foreign investment by small and medium-sized transnational corporations presented qualitative improvements compared to investments by large transnational corporations, in that their technology tended to be associated with small-scale operations; they tended to generate more employment per unit of capital, and also to transfer their technology to local small and medium-sized enterprises. This offered particular advantages to developing countries, many of whom were keen to develop their own enterprises in collaboration with Governments of developed countries and international organizations.

6. In the discussion, delegations expressed their support for the Centre's research programme. With regard to TRIPS, one delegation was of the view that the direction of work was probably peripheral to the main rationale of the Uruguay

Round negotiations, which was on the effect of poor intellectual property protection on trade flows. That delegation suggested that future work on TRIPS should focus on the costs and incidence of poor intellectual property protection on international trade and investments. Another delegation stated that it attached great importance to intellectual property protection, to the means for providing such protection, and to its role in international investment relations. That subject had only recently been under discussion by its Government, which had decided to adopt a new law on intellectual property protection as a major feature of its effort to join the General Agreement on Tariffs and Trade. Delegations also expressed their support for the Centre's work on non-conventional transnational corporations, and considered the report as reflecting processes in the world economy.

7. Some delegations expressed their agreement with the conclusions of the report that non-conventional corporations offered particular advantages to developing countries. One delegation expressed the view that further work in this area should be explored.

8. In responding to issues raised in the discussion, the Executive Director assured delegations that the Centre always undertook its research work in close co-ordination with other international organizations in order to avoid duplication and overlap, particularly in areas where negotiations were currently under way in those other organizations. With regard to the focus of the work on TRIPS, the Executive Director emphasized that the Centre's concentration on investment issues was dictated by the need to avoid interfering in the trade negotiations, as well as to verify the investment impact of adequate or inadequate levels of intellectual property protection. On the latter point, the Centre's main interest was to provide empirical data which might clarify the actual role of intellectual property protection in investment and technology flows, a subject on which there were obviously differences of opinion in the international community.

Action taken by the Commission

9. The Commission took note of the reports of the Secretary-General on ongoing and future research (E/C.10/1990/13 and E/C.10/1990/18), and requested the Secretary-General to report to it at the next session on the Centre's ongoing and future research efforts.

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Draft report

Addendum

Rapporteur: Jon RAMBERG (Norway)

Chapter ___

INTERNATIONAL STANDARDS OF ACCOUNTING AND REPORTING

1. At its 5th, 6th and 8th meetings, on 5, 6 and 9 April, the Commission considered agenda item 5.

2. With regard to the results of the eighth session of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting, the representative of the United Nations Centre on Transnational Corporations informed the Commission that the Group was fulfilling its primary objective of serving as a global forum for the discussion of international accounting and reporting issues. In particular, it discussed accounting implications of the continued instability in financial markets, European economic integration and glasnost. It took up such technical topics as accounting by and for joint ventures, accounting for pension commitments, for intangibles and for environmental protection measures. Some of those topics had a significant economic impact since a modification in accounting rules could lead to significant changes in balance sheets or income statements.

3. He said that the Group had examined also accounting needs in Africa and had suggested that regional meetings be held, at which pilot projects to meet those needs could be identified. The Group was in the process of re-examining its objectives and how to achieve them in the light of changes in the global economy. The Group was aware of the need to improve developing country participation and had encouraged the Centre to hold special meetings in Africa and Latin America to encourage such participation.

4. One representative said that the gradual conversion of his country to a market economy would require legal, financial and accounting reforms. In particular, it was important to improve accounting to better serve the needs of investors. The accounting system should no longer be used merely to verify production targets. His country evaluated very positively the Group's work on joint ventures, intangibles and environmental protection measures since the Group was contributing to economic restructuring. The representative of a country of the same region said that his country was ready to make greater use of agreed international standards and that the Group's work was making a positive contribution to economic co-operation; he favoured the further development of that work.

5. The representative of a developed market economy country fully agreed with the assessment of the positive results of the eighth session. He said that the Group's conclusions would increasingly be taken into account in international standard-setting activities. His country was concerned, however, about the number of vacancies in the Group and the weak participation of developing countries. He said that that situation should be remedied by the ninth session. His country fully supported the idea of holding regional meetings in Africa to encourage participation. One representative said that he fully supported the idea of setting up a fund to facilitate attendance. Another welcomed the emphasis the Group was putting on the practical training of accountants in developing countries and said that his country would be prepared to give full support to such activities.

Action taken by the Commission

The Commission:

(a) Approved the report of the Group (E/C.10/1990/7) and commended it for its work;

(b) Approved the provisional agenda and documentation for the ninth session of the Group;

(c) Decided on a series of measures to be undertaken by the United Nations Centre on Transnational Corporations to follow up the survey on accounting needs in Africa.

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Rapporteur: Jon RAMBERG (Norway)

Chapter. ___

STRENGTHENING THE NEGOTIATING CAPACITY OF DEVELOPING COUNTRIES IN THEIR DEALINGS WITH THE TRANSNATIONAL CORPORATIONS

1. The Commission considered agenda item 10 at its 7th meeting, on 6 April. It had before it the following documents:

(a) Report of the Secretary-General on foreign direct investment in Africa and strategies to encourage transnational corporations to respond positively to the improved investment climate (E/C.10/1990/9);

(b) Report of the Secretary-General on experience gained in technical co-operation activities with respect to the formulation and implementation of foreign investment policies (E/C.10/1990/14);

(c) Report of the Secretary-General on the activities of the United Nations Centre on Transnational Corporations and the activities of the joint units established with the regional commissions (E/C.10/1990/16).

2. In his introductory remarks, the Director of the Advisory and Information Services Division informed the Commission that the Centre's technical assistance had been avidly sought by an ever-increasing number of countries in a wide range of

projects related to transnational corporations. Those projects included assistance in negotiating strategic transactions with transnational corporations, particularly in the natural resources sector; in providing critical information and advice in evaluating investment projects; and in restructuring and liberalizing government policies towards transnational corporations, particularly in newly open-door economies.

3. Referring to document E/C.10/1990/14, he pointed out that the liberalization process was meaningful only if accompanied by a package of broad economic reforms, including liberalization of foreign exchange régimes and of the financial markets, price liberalization reforms, tax reforms and trade policy reforms. He said that the Centre hoped to conduct in the future an in-depth study of the problems and solutions regarding the reconciliation of public policy on foreign investment and technology with the imperatives of market forces.

4. With regard to the Centre's technical assistance in that area, requests generally fell under the following categories: countries with restrictive investment régimes moving towards a new policy to attract investments; countries that were successful in attracting foreign investments but whose policies needed streamlining to achieve a greater degree of efficiency; countries that were adopting a more export-oriented strategy; and finally, countries that were successful in attracting foreign investment but in which the transfer of technology was not commensurate with the transfer of capital. It was stressed that the developing countries had adopted strategies to achieve a fine balance between promotion and regulation with a mix of incentives and performance requirements and other measures.

5. With regard to document E/C.10/1990/9 the Director pointed out the familiar trend that Africa's share of investment flows was insignificant despite the determined and impressive changes that African Governments have taken to improve their investment climate. It was suggested that the international community play a role in the efforts of host Governments to overcome some of the rather pervasive negative perceptions of investing in Africa.

6. Finally, he expressed the appreciation of the Centre to the countries that had contributed to the Centre's Trust Fund for Technical Co-operation and emphasized the need for their continued support and commitment.

7. All delegations that took part in the discussion stressed the importance they attached to the Centre's technical co-operation programme and expressed their appreciation of the reports submitted to the Commission under the item. Several delegations identified specific advisory and training services of which they were recipients and expressed their appreciation for the continued support of the Centre; particular mention was made of the relatively new programme of assistance to the entrepreneurs in developing countries. A number of delegations referred to the exceptional way in which the Centre provided those services, particularly its expeditious response to urgent requests for assistance. The delegations of several countries that were recipients of those services also commended the Centre on its effectiveness even with a reduced budget and staff. A number of delegations receiving technical assistance called for further donations to the Centre's Trust

Fund for Technical Co-operation. Many delegations expressed interest in increased activities in technical assistance by the Centre; a number of delegations requested that special attention be given to the needs of the least developed countries.

8. A few delegations supported the liberalization process in the investment régimes of developing countries and stressed the importance of transparency, clarity and predictability in their policies, laws and regulations.

9. Delegations from some of the developed countries, however, felt that performance requirements, inter alia, distorted trade flows and decreased trade, increased costs and acted as disincentives to foreign investors particularly small and medium-sized enterprises. They argued that intervention in the form of unpredictable and bureaucratic approaches created negative effects on investment flows. Some delegations considered screening and monitoring mechanisms as possible disincentives to investment and suggested that developing countries avoid excessive authorization and approval procedures in foreign investments.

10. Many delegations expressed satisfaction about the realistic attitude shown in the report of the Secretary-General on foreign direct investment in Africa (E/C.10/1990/9). They agreed that the report correctly identified the main determinants of investment decisions.

11. Several delegations suggested specific courses of action to improve the delivery and reporting of the Centre's technical co-operation programme, including more detailed information on the projects delivered; a reference to regulations with respect to restrictive business practices and intellectual property rights; the undertaking of an evaluation exercise on projects delivered; and a waiver of the 24-page rule for the report on experience gained in technical co-operation. The necessity of close co-operation within the United Nations system was stressed.

12. In responding to questions raised during the discussion, the Director of the Advisory and Information Services Division thanked the members of the Commission for their favourable comments and their useful suggestions on the Centre's technical co-operation programme. With regard to the issue of screening mechanisms on foreign investments, he said that many developing countries would take issue with the proposal to eliminate such mechanisms and argued that the process of cost/benefit analysis of investment projects was not inimical to investment flows. The Centre was aware of a number of investment proposals, particularly those of a joint venture nature, whose original structures were not in the best interests of the developing countries. He disagreed with the conclusion of some delegations that monitoring stifled investment flows. On the contrary, an ex post facto evaluation of a project was not a procedure unique to developing countries. He pointed out that even transnational corporations monitored their agreements with host Governments. It was suggested that those issues and issues on screening, monitoring and performance requirements could be addressed by the Centre in later reports. He assured the Commission that the Centre would make the effort to provide the Commission at its next session with a detailed listing of technical co-operation projects.

Action taken by the Commission

13. The Commission took note of the reports of the Secretary-General on foreign direct investment in Africa and strategies to encourage transnational corporations to respond positively to the improved investment climate (E/C.10/1990/9); on experience gained in technical co-operation activities with respect to the formulation and implementation of foreign investment policies (E/C.10/1990/14); and on the activities of the United Nations Centre on Transnational Corporations and the activities of the joint units established with the regional commissions (E/C.10/1990/16). It requested the Secretary-General to prepare a report on experience gained in technical co-operation activities for submission to the Commission at its seventeenth session.

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Addendum

Rapporteur: Jon RAMBERG (Norway)

Chapter ___

TRANSNATIONAL CORPORATIONS IN SOUTH AFRICA AND NAMIBIA

1. The Commission considered agenda item 6 at its 6th and 7th meetings, on 6 April. It had before it the following documents:

(a) Report and recommendations of the Panel of Eminent Persons established to conduct the second public hearings on the activities of transnational corporations in South Africa and Namibia (A/44/576-S/20867, annex);

(b) Report of the Secretary-General on measures relating to trade, finance, investment and technology transfers to South Africa (E/C.10/1990/8).

2. In introducing the item, the Executive Director of the Centre noted that in recent months there had been historic developments in the effort to end apartheid and the prospect of negotiations towards a new system of government in South Africa. He also referred to the independence of Namibia.

3. Concerning the responsibilities of home countries of firms operating in South Africa, he noted that international finance was probably the area in which sanctions had the most severe effects on the South African economy. International

trade and foreign investment had a less immediate impact. The effect of sanctions in the international finance area was expected to intensify in about June 1990, when a large proportion of South Africa's debt would have been due for repayment. However, the expected crisis was averted with a new rescheduling agreement announced last October, which spread repayment of the debt due in June over a period of three and a half years. He noted that the Commission could call on Governments to expand their existing scholarship programmes, which would enable more black South African students to obtain higher education at their universities. It could also request a feasibility study for a comprehensive training programme and a pilot entrepreneurship training and business development programme for black South Africans in co-operation with transnational corporations.

4. As to the Centre's future work, he said the Panel's recommendations offered a range of options. In the case of Namibia, there was no doubt that continuing technical assistance would be needed in the formulation and implementation of appropriate investment policies. The Centre was already engaged in the preparation of a new investment code at the request of the new Government. Also, with the requisite funding, the Centre could play an important role in the organization of training programmes for black South Africans, along the lines recommended by the Panel, that is, with the assistance of transnational corporations in education programmes and on-the-job training.

5. Many delegations stressed that the international community could not consider the recent events occurring in South Africa, such as the release of Nelson Mandela, as a reason for lifting sanctions. They reiterated the view that mandatory comprehensive economic sanctions were the most effective form of pressure against South Africa and that therefore they should be increased and strengthened. The responsibilities of home countries went beyond passing legislation. They were also responsible for monitoring the implementation of measures to assure that they had the desired effect. Actions by transnational corporations to replace equity with non-equity links with South Africa undermined the effectiveness of economic measures. Reaffirming that disinvestment meant the cutting of all ties, they called on companies to pull out altogether so as to discontinue the supply of essential products, equipment and technology in South Africa, including technology licensing and distribution and franchise agreement. They also deplored the recent renegotiation agreement worked out between the South African Government and the transnational banks.

6. One delegation noted that recent events in South Africa had contributed to a "new dynamism" towards the peaceful abolition of apartheid and expressed the hope that further steps would be taken in that regard. The African National Congress had shown a willingness to enter into a dialogue, and all efforts should be encouraged to that end. However, that delegation observed that it was necessary to maintain pressure on South Africa. Although it was not opportune to lift sanctions at the present time, certain aspects might be reviewed in the light of recent events. That delegation's Government had begun to make certain modifications in the visa requirements for South African citizens in an effort to encourage the process of democratization. Contacts with the larger part of the South African population were needed.

7. One delegation, speaking on behalf of a group of States, noted that the measures taken by European companies had contributed to an improvement in the standard of living of black employees and to the promotion of the principle of racial equality by helping break down apartheid in the workplace. Those measures had also facilitated the development of trade unionism in South Africa and had encouraged European companies to pursue further their efforts to improve the conditions of black employees. Those States were determined to promote the implementation of their national codes, conscious of the fact that observance of the code by European companies set an example for South African companies.

8. Several African delegations noted the measures taken by the European countries to improve the standard of living of black employees but disagreed with the overall meausres the group had taken in breaking down apartheid in the workplace and the system as a whole.

9. Two delegations, while joining in the condemnation of apartheid, observed that sanctions should be relaxed rather than intensified, considering recent events that had been taking place in South Africa. Against that background of events, the Government of one of the two delegations would no longer ban new investment or restrict tourism. The other delegation rejected the premise contained in the report that the withdrawal of transnational corporations would contribute to the advancement of the interests of the majority of South Africans. Therefore, that delegation's Government supported the continued presence in South Africa of responsible corporations that subscribed to the Sullivan Principles and that implemented the code of conduct codified in the United States Comprehensive Anti-Apartheid Act of 1986. Regarding the South African debt, that delegation noted that United States banks had little real leverage to press the South African Government for tougher repayment terms as a means of providing further pressure for political reform, and that repayment terms had been set almost unilaterally by the South African side.

10. Another delegation stated that the Commonwealth Heads of Government recognized the importance of monitoring South Africa's financial links and endorsed the establishment of an independent agency to review and report on South Africa's international financial relations on a regular basis. That delegation was particularly encouraged by the prospect that the Commission would be examining means whereby transnational corporations could, through special training programmes, help to develop a cadre of black South African business managers. That delegation added that its Government had adopted over 30 measures, designed to persuade the South African Government to dismantle apartheid. In the same vein, another delegation noted that its Government had requested that its business community not undermine the measures taken by other countries in South Africa. Regarding trade with South Africa, owing to the efforts of its Government, trade figures had declined 4 per cent in 1988 and 6 per cent in 1989 in dollar terms. That delegation's Government was also enhancing its economic and technical co-operation with the front-line States.

11. Several delegations expressed their appreciation for the work of the Panel of Eminent Persons established to conduct the second public hearings on the activities of transnational corporations in South Africa. In their view, the hearings had contributed to raising public awareness in Europe and in other regions.

Action taken by the Commission

12. The Commission took note of the report and recommendations of the Panel of Eminent Persons established to conduct the second public hearings on the activities of transnational corporations in South Africa and Namibia (A/44/576-S/20867, annex) and the report of the Secretary-General on measures relating to trade, finance, investment and technology transfers to South Africa (E/C.10/1990/8).

13. The Commission requested the Centre to prepare a report, to be submitted to the Commission at its seventeenth session, on the activities of transnational corporations in South Africa, including a review of the responsibilities of home countries with respect to transnational corporations engaged in such activities, and also the results of the feasibility study for a comprehensive training programme for black South Africans.

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Draft report

Addendum

Rapporteur: John RAMBERG (Norway)

Chapter ____

COMPREHENSIVE INFORMATION SYSTEM

1. The Commission considered agenda item 11 at its 8th meeting on 6 April. It had before it the reports of the Secretary-General on the information services provided by the United Nations Centre on Transnational Corporations to developing countries (E/C.10/1990/15), and on the activities of the United Nations Centre on Transnational Corporations and the activities of the joint units established with the regional commissions (E/C.10/1990/16), which includes information on the Centre's comprehensive information system.

2. In his introductory statement, the Director of the Advisory and Information Services Division of the Centre noted that the provision of pertinent information and data is a critical component of the Centre's advisory services to host countries in their dealings with transnational corporations and served as an input in evaluating policies or strategies for foreign direct investment, in assessing proposed business arrangements and their international market context and in mapping out negotiating strategies.

3. The Director briefly referred to the collection of laws, contracts and studies, information sources and data bases that constitute the basis for the provision of information services by the Centre. He drew attention to how in recent years the Centre had assisted developing countries in the creation of their own information systems. The Centre's assistance had been directed to the development of bodies of information and data which cover specific aspects of the activities of transnational corporations, rather than to the creation of an all-encompassing centralized information system. That activity constituted a new direction in the Centre's information services. From originally supplying data and information material, the Centre has now moved into providing developing countries with the tools for obtaining, securing and multiplying their own access to the sources themselves.

4. One delegation commended the Centre's efforts to provide assistance to member countries in developing their information systems - efforts that could be helpful in the formulation of policies aimed at enhancing the role of, and improving the climate for, foreign direct investment. The Centre was also commended for its efforts to standardize data and to improve the utilization of resources through co-operation with such organizations as the Organisation for Economic Co-operation and Development, the Economic Commission for Europe, the United Nations Industrial Development Organization and the United Nations Educational, Scientific and Cultural Organization.

5. Speaking on agenda item 12, Activities of the United Nations Centre on Transnational Corporations, several delegations welcomed the systematic development of stores of information on individual transnational corporations (including the largest corporations and those in the service sector) and on joint ventures. They recognized that the Centre has become an indispensable source of data on transnational corporations for trade unions and academia in addition to Governments. Such work should be continued and expanded.

Action taken by the Commission

6. The Commission took note of the report of the Secretary-General on the information services provided by the United Nations Centre on Transnational Corporations to developing countries (E/C.10/1989/15) and requested the Secretary-General to report to the Commission at its seventeenth session on the experience gained in the development of the comprehensive information system, taking into account the views expressed by delegations at its sixteenth session.

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Draft report

Addendum

Rapporteur: Jon RAMBERG (Norway)

Chapter ___

TRANSNATIONAL CORPORATIONS AND ISSUES RELATING TO THE ENVIRONMENT

1. The Commission considered agenda item 7 at its 5th, 6th and 8th meetings on 5, 6 and 9 April. It had before it the report of the Secretary-General on transnational corporations and issues relating to the environment (E/C.10/1990/10).

2. In introducing the item, the Executive Director of the Centre recalled Economic and Social Council resolution 1989/25 on transnational corporations and environmental protection in developing countries and General Assembly resolution 44/228 on the United Nations Conference on Environment and Development, stressing the role and impact of transnational corporations on the environment. The report analysed the role of transnational corporations in global warming and summarized the work done on the five new projects requested by the Economic and Social Council in its resolution 1989/25. The initial study of high-risk industrial sectors explored in depth the issue of global climate change and developed some draft operational principles for the key industrial sectors which affect global climate change. The study on the lessons learned in industrial environmental protection that could be of benefit to developing countries focused on the disclosure of risk information regulations in industrialized countries and proposed four types of

model legislation for developing countries. The Executive Director reported that the Centre had performed the preliminary work requested on the two feasibility studies: one on hazardous technologies and their cleaner, safer alternatives and the other on the prospect of an environmental fund supported by transnational corporations to assist developing countries to protect the environment. He presented the Commission with three possible ways in which the fund could contribute to developing countries. Given the forthcoming Conference, the Commission was expected to examine its options and guide the Centre on how to proceed.

3. Delegations expressed their satisfaction with the quality of the Centre's work and its desire to contribute to sustainable development, as well as its adherence to Council resolution 1989/25 in carrying out its work. One delegation announced its intention to distribute the report widely to industry and other appropriate organizations within its country for comments and inputs, and to submit to the Commission the results of that dialogue. Delegations reiterated their belief that transnational corporations had a special responsibility with regard to the environment, although some delegations pointed out that that responsibility was shared by all enterprises, national or transnational, public or private. One delegation stated that transnational corporations were responsible for environmental problems in developing countries owing to the transfer and dissemination of environmentally hazardous and polluting technologies. In the future, transnational corporations should do their best to provide resources and environmental protection technologies to developing countries.

4. With respect to the work on global climate change and the role of transnational corporations, delegations welcomed the information provided in the report on the complexity of the activities that generate gases causing the greenhouse effect. Some delegations, pointing to the uncertainty of the research on the role of transnational corporations on climate change, asked that more research be undertaken and a list of areas for further work, and their estimated financial costs, be supplied.

5. With regard to the establishment of a fund to support the environmental protection of developing countries, most delegations observed that there were distinct merits in that idea as it could contribute to the work of the Preparatory Committee for the United Nations Conference on Environment and Development in designing financial mechanisms to address enviromental problems in developing countries. The question required further study, however, and the views of developing countries should be taken fully into account in proceeding with the work. Some delegations noted that the results of those studies should be presented to the Commission at its seventeenth session. Some delegations suggested that more details on the figures, management and functioning of the proposed fund should also be elaborated. One delegation noted that complementarity with the fund administered for the same purpose by the United Nations Enviroment Programme (UNEP) and the World Bank should also be examined.

6. On developing a directory of hazardous technologies and their safer and cleaner alternatives, delegations agreed that the underlying objective of that proposal was sound and that a joint effort between the Centre, UNEP, the United Nations Industrial Development Organization and the Centre for Science and

Technology for Development could enhance that work and fill in the gaps in the existing information sources. It was mentioned that any useful directory would have to be based on an independent technology assessment for sustainable and environmentally sound development.

7. As to the normative work of the Centre, the majority of the delegations expressed their satisfaction and appreciation of the work of the Centre in drafting the criteria on sustainable development management. Delegations noted that the criteria, if implemented by transnational corporations, would be a constructive step towards sustainable development although one delegation observed that, if looked at closely, the criteria contained suggestions and proposals already dealt with by a number of transnational corporations. One delegation pointed out that the criteria, while focusing on environmental benefits, overlooked certain economic and business considerations by transnational corporations. Delegations said that there should not be different environmental standards for transnational corporations and domestic firms. The representative of a non-governmental organization suggested convening a meeting two years after the adoption of the criteria in order to give transnational corporations the opportunity to report on their experience with its implementation.

8. With regard to the operational principles to strengthen the participation of transnational corporations in environmental protection, delegations observed that the Centre should continue with that work. It was considered that the functional approach to the development of such principles should be combined with the thematic approach and that the work should focus on such issues as transfer of technology, technical and management expertise relevant to environmental management and assessment of the environmental impacts of the production process. The special role of the development of accounting standards for environmental information disclosure and new accounting measures was mentioned in that context.

9. Delegations stressed the importance of the participation by the Centre and the Commission in the preparations for the Conference. Many delegations emphasized the importance of the linkage between environment and development, which should be taken into account in the programmes and projects undertaken by the Centre in accordance with General Assembly resolution 44/228. The design of mechanisms for the dissemination of clean technologies, as well as plans to support their transfer to developing countries, was an area that would attract considerable attention by the transnational corporations in the coming years. Most delegations noted that the transfer of environmentally sound technology to developing countries on non-commercial and preferential terms was a key issue in their efforts to protect the environment and that therefore the Commission should focus on that issue in its contribution to the Conference. Some delegations also noted that international régimes for the protection of the environment could only be effective if there were commitments by the developed countries to enforce procedures and policies that stimulated innovation, enhanced the development and dissemination of new technologies and ensured ready and widespread access to environmentally sound technologies. Effective schemes of technology transfer to the developing countries involving transnational corporations should be conceived. One delegation stressed that since transnational corporations were probably the dominant institutions

transferring technology across national borders, innovative licensing arrangements, as well as the question of cost and the terms and conditions of trade in environmentally sound technologies, should be addressed by the Centre, with attention being given to the requirement that transnational corporations work their patents in developing countries. Delegations observed that the Centre could co-ordinate the participation of transnational corporations in the Conference. One delegation in particular noted that a survey should be carried out with transnational corporations on their policies and programmes regarding the nine major environmental issues mentioned in General Assembly resolution 44/228. The view was expressed that the Centre should present ways and means of promoting and stimulating transnational corporations to protect and preserve the environment. One delegation in particular expressed the hope that transnational corporations would contribute to the preparatory process and that the Centre would lend its expertise and advice in achieving that objective.

10. In conclusion, the Executive Director thanked the delegations for their comments on the Centre's work on transnational corporations and the environment and for expressing their satisfaction with the work done as a result of the request made by the Economic and Social Council in its resolution 1989/25. He reiterated the Centre's desire to contribute to the preparations for the Conference and to make its expertise available. He emphasized that one of the Centre's main tasks was the possibility of working closely with transnational corporations and involving them in the preparations. With regard to the work on the directory on hazardous technologies and their safer alternatives, the Centre intended to draw upon the expertise of other United Nations bodies. As for the fund, more exploratory work needed to be done. The Centre was aware of the importance of the fund administered by UNEP but considered the operation of a fund in which transnational corporations would contribute as an additional task for the United Nations. He noted the satisfaction of delegations with the work accomplished on the criteria on sustainable development management and the request that they be complemented with operational principles. He reiterated that the Centre's intention with respect to the criteria was not to single out transnational corporations but observed that both General Assembly resolution 44/228 and Economic and Social Council resolution 1989/25 expressed what appeared to be a consensus that large industrial enterprises, including transnational corporations, had specific responsibilities with respect to the environment.

Action taken by the Commission

11. The Commission took note of the report of the Secretary-General on transnational corporations and the environment (E/C.10/1990/10). It requested the Secretary-General to prepare for its seventeenth session a comprehensive and analytical report, taking into account the comments made by delegations, with a view to making a significant contribution to the preparatory work of the United Nations Conference on Environment and Development.

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Draft report

Addendum

Rapporteur: Jon RAMBERG (Norway)

Chapter ___

QUESTION OF EXPERT ADVISERS

1. The Commission considered agenda item 13 at its 9th meeting, on 9 April. It had before it a note by the Secretariat (E/C.10/1990/17 and Add.1).

2. The Executive Director of the United Nations Centre on Transnational Corporations indicated that the selection of expert advisers to the Commission on Transnational Corporations, which takes place every two years, was one of the tasks before the Commission at the present session. He observed that the group of independent experts was a unique feature of the Commission. It was created to assist the Commission and the Centre in providing advice on matters under consideration. In that way, the multidisciplinary nature of the Commission was enhanced. As in the past, the present group of expert advisers had contributed in significant ways to the implementation of the Commission's mandate and were also helpful in designing and interpreting major aspects of the Centre's work programme. The Executive Director expressed his gratitude in particular to those expert advisers who were retiring this session for their dedication to the goals of the Commission and for so generously sharing their knowledge and experience.

3. He then referred to the list of nominees for expert advisers contained in the note by the Secretariat. He observed that the names of four candidates from trade

unions and other backgrounds were not included since their nominations could not be confirmed in time before the meeting. Therefore, he proposed that the Commission leave those positions open and authorize the Executive Director of the Centre, in consultation with the Chairman of the Commission, to fill those positions as soon as the nominations were confirmed.

Action taken by the Commission

4. The Commission:

(a) Thanked the retiring expert advisers for their valuable contribution and decided to select the following expert advisers to serve until the end of the eighteenth session: 1/

Business background

PETER FRERK (Federal Republic of Germany)
LAURENCE McQUADE (United States of America)
JOSE MARIA BASAGOITI (Mexico)
KARL-ERIK ONNESJÖ (Sweden)
ANTONIO COLOMBO (Italy)
SAMUEL ESSON KWESI JONAH (Ghana)

Academic background

MANMOHAN SINGH (India)
OSWALDO SUNKEL (Chile)
OSCAR SCHACHTER (United States)
SIDNEY DELL (United Kingdom)
WANG LINSHENG (China)
NIKOLAI G. ZAITSEV (USSR)

Trade union and other backgrounds 2/

(b) Authorized the Chairman of the Commission, in consultation with the Executive Director of the Centre, to fill the four remaining vacancies as soon as the nominations are confirmed.

Notes

1/ The curricula vitae of the expert advisers are contained in the note by the Secretariat (E/C.10/1990/17 and Add.1).

2/ Four additional expert advisers are to be selected in consultation between the Chairman of the Commission and the Executive Director of the Centre.

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Addendum

Rapporteur: Jon RAMBERG (Norway)

Chapter ___

WORK RELATED TO THE CODE OF CONDUCT ON TRANSNATIONAL CORPORATIONS AND OTHER INTERNATIONAL ARRANGEMENTS AND AGREEMENTS

1. The Commission considered agenda item 4 at its ____ meeting, on 9 April 1990. It had before it the report of the Secretary-General on the progress made in the work on the code of conduct on transnational corporations (E/C.10/1990/5); and the report of the Secretary-General on international arrangements and agreements related to transnational corporations (E/C.10/1990/6).

2. In his introductory statement, the Executive Director of the Centre explained the outcome of the informal consultations conducted by the Bureau and the enlarged Bureau of the special session of the Commission on Transnational Corporations in January and April 1990 with a view to determining the future of the negotiations on the code of conduct. The consultations had led to a decision to conclude the negotiations as soon as possible on the understanding that further negotiations would entail only minor changes in the present text of the code and would conclude before July 1990. The Economic and Social Council had decided to reconvene the special session of the Commission on Transnational Corporations for one day on 24 May 1990 (Council decision 1990/205), when the Commission would, receive and formalize the conclusions of the enlarged Bureau.

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3. The Executive Director observed that while the negotiations would continue and hopefully come to a successful conclusion soon, new needs and concerns had arisen in the international arena which required priority attention, such as the elaboration of international standards in the area of the environment. The conclusion of bilateral investment treaties was another area of expanding activity. Those or any other aspects of foreign direct investment and transnational corporation activity would greatly benefit from the conclusion of the code of conduct as a general frame of reference for the development of more specific and detailed standards to deal with the more dynamic aspects of such activity.

4. Delegations expressed their support for the initiatives taken by the Chairman and Bureau of the special session aimed at bringing the work on the code of conduct to an early and successful conclusion. They reiterated their commitment to the elaboration of the code. A number of delegations referred to the report and recommendations of The Hague Symposium on the United Nations Code of Conduct on Transnational Corporations, held in September 1989 (E/C.10/1990/5, annex). Some delegations expressed the view that the code of conduct could become a very important and useful instrument for the conduct of international economic relations on a legally equal, politically predictable and economically sound basis.

5. Many delegations endorsed the report's finding that in the new investment environment, the need for the code had increased. They also agreed with that report in that agreement on the code would be facilitated by finding compromise solutions to the outstanding issues rather than by trying to resolve doctrinal questions and historical debates. At the same time, most delegations opposed the idea of re-opening the discussion on the paragraphs of the code which had already been accepted ad referendum. A number of delegations stressed that a good basis for finalizing the code seemed to be the draft text contained in document E/1988/39/Add.1.

6. A few delegations expressed disappointment that it had not been possible to use the April informal consultations to continue substantive discussions on the code, since the views of one group had not been forthcoming. While aware of the difficulties involved in the protracted negotiations, they should not prevent substantive discussions from continuing. They therefore appealed to all delegations to engage in a final effort to surmount the present difficulties and ensure that the next meeting would produce positive results.

7. A number of expert advisers and representatives of international organizations also expressed support for the conclusion of the code, stressing the importance of the code standards for improving living standards and working relations world-wide.

Action taken by the Commission

8. The Commision took note of the report of the Secretary-General on the progress made in the work on the code of conduct on transnational corporations (E/C.10/1990/5). It requested the Secretary-General to submit another report on the subject to the Commission at its seventeenth session.

9. The Commission also took note of the report of the Secretary-General on international arrangements and agreements related to transnational corporations (E/C.10/1990/6). It requested the Secretary-General to update that report for the seventeenth session of the Commission.

10. The Commission requested the Executive Director of the Centre to take all necessary action to assist in the finalization of the negotiations on the code of conduct on transnational corporations.

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Addendum

Rapporteur: John RAMBERG (Norway)

Chapter ___

ACTIVITIES OF THE UNITED NATIONS CENTRE ON TRANSNATIONAL CORPORATIONS

1. The Commission considered agenda item 12 at its 7th and 8th meetings, on 6 and 9 April. It had before it the following documents:

(a) Report of the Secretary-General on transnational corporations and development: policies to stimulate the transfer of investment capital, technology and skills to developing countries in the 1990s (E/C.10/1990/3);

(b) Report of the Secretary-General on the activities of the United Nations Centre on Transnational Corporations and the activities of the joint units established with the regional commissions (E/C.10/1990/16);

(c) Note by the Secretariat on the draft programme on transnational corporations of the medium-term plan for the period 1992-1997 (E/C.10/1990/CRP.1).

2. In introducing the item, the Executive Director of the Centre reviewed the activities of the Centre since the fifteenth session of the Commission. He noted that the Centre commenced the implementation of its work programme for the biennium

1990-1991 after the serious reduction of staff resources which was effected in 1989. That reduction had undermined the Centre's capacity to meet the diversified and complex objectives of its mandate. The Executive Director emphasized that further expansion of the mandated activities required more intensive efforts to maintain effective co-ordination with other entities and organizations of the United Nations system and outside the system that undertake work of relevance to the work of the Commission and the Centre. In that regard, he gave examples of the Centre's fruitful co-operation with the International Monetary Fund (IMF), the World Bank, the Organisation for Economic Co-operation and Development (OECD) and the European Community. He also reported on the major research, information and technical co-operation projects completed since the fifteenth session of the Commission. The Executive Director remarked that in three years the Commission would be considering the Fifth Survey on Transnational Corporations in World Development. He welcomed suggestions by delegations of issues warranting attention in that comprehensive quinquennial study.

3. The Executive Director expressed gratitude to those Governments that had provided resources to the Centre's extrabudgetary funds. He expressed concern that though there was an increase in the number of pledges, there had been a substantial decrease in the level of donor contribution. He noted with appreciation that in 1989, despite a considerable loss in resources because of staff reductions, the joint units with the regional commissions had made important contributions to meeting the objectives of the United Nations programme on transnational corporations, particularly to the preparation of the Directory on Foreign Direct Investment, research on transnational banks, and on transnational corporations and environmental management.

4. The Executive Director, expanding on his introductory statement on item 3, drew the attention of the Commission to the report of the Secretary-General entitled "Transnational corporations and development: policies to stimulate the transfer of investment capital, technology and skills to developing countries" (E/C.10/1990/3), particularly to the suggestion to undertake assessment studies of country policies in attracting foreign direct investment. The objectives of such assessments would be to analyse the impact policies, develop options for future actions and provide a sound basis for technical co-operation in that area. Finally, the Executive Director invited the Commission to express its views on the draft programme on transnational corporations of the medium-term plan for the period 1992-1997.

5. All the delegations supported the work of the Centre in general and commended the high quality of the Centre's work. One delegation, speaking on behalf of many others, noted that the Centre was a model for the activities of other United Nations bodies in meeting the objectives of the legislative authority entrusted to it by the relevant intergovernmental bodies. That delegation stated in particular that the Centre responded effectively to the requests made by the Commission at its fifteenth session.

6. Many delegations expressed their particular appreciation for the practical usefulness of the Centre's research, information and advisory services. Some delegations noted that closer links had been developed among various directions of the Centre's activities.

7. Particular support was given to the Centre's technical co-operation programme. Many delegations emphasized that the Centre enhanced the capability of public and private sectors of host developing countries to effectively negotiate with transnational corporations. Several delegations noted that the technical co-operation activities had contributed to the increased efficiency of host Governments' mechanisms and procedures for the evaluation, screening and monitoring of foreign direct investment.

8. Several delegations made special reference to EMPRETEC, the Centre's programme aimed at supporting small- and medium-sized enterprises utilizing linkages with transnational corporations which they considered enhanced the economic integration of their regions. EMPRETEC, a joint effort by the private sector, Governments and the Centre, was viewed by those delegations as an innovative approach towards technical co-operation that served as an effective vehicle for transfer of modern technology and skills to the developing countries. Though the results achieved by EMPRETEC had already gone beyond initial expectations, the programme was oriented towards the medium and long term so its future impact might be even more encouraging. In that regard, several delegations invited donors to strengthen their financial support to the programme.

9. One delegation expressed appreciation in particular for the workshops and seminars on negotiating with transnational banks, the development of foreign exchange policies and the strengthening of financial management. That delegation emphasized that those activities provided national officials with the opportunity to acquire the necessary skills to initiate and implement new policies, institutional reforms and modes of transactions with transnational banks and transnational corporations that allowed the country to better realize its comparative advantage in international financial markets. Another delegation expressed satisfaction with the advisory assistance and support that the Centre's joint unit with the Economic and Social Commission for Asia and the Pacific (ESCAP) provided to its country in the area of foreign direct investment. Other delegations mentioned the unique capability of the Centre to respond immediately to most urgent requests by Governments, which set the Centre's technical co-operation programme apart from those of other United Nations bodies.

10. Several delegations from Latin America requested that the Centre give more attention to the examination of foreign direct investment flows into the region and recommend ways and means for the revitalization of those flows.

11. Several delegations representing countries that had recently introduced or liberalized foreign investment policies, expressed gratitude to the Centre for making available to them information and expertise on the assimilation of foreign direct investment and related flows in their economic development. Those delegations noted that that work was of importance in the increasingly interdependent system of international economic co-operation and expressed the opinion that it could benefit all its participants.

12. An expert adviser, referring to the possible implications of the developments in Eastern Europe and the Soviet Union on global foreign investment flows, suggested that there were favourable opportunities for mutual cross-investments

between Eastern Europe and developing countries. In order to stimulate those investments, specific educational and training efforts were needed to expose potential investors to the existing requirements and opportunities.

13. Many delegations commented on the analytical work conducted by the Centre. Some delegations, though having a high opinion of the Centre's research results, suggested that the focus should increasingly be on unresolved issues and problems faced by developing countries in their dealings with transnational corporations. Some delegations emphasized the importance of the Centre's work on related aspects of intellectual property rights and trade-related investment measures, issues which were of practical importance to developing countries in the negotiations in the General Agreement on Tariffs and Trade (GATT). Some delegations welcomed the Centre's work on small- and medium-sized transnational corporations and transnational corporations from developing countries. At the same time, those delegations suggested that the project on small- and medium-sized enterprises should be more oriented towards enhancing the role of those enterprises in the economic development of developing countries. Some delegations specifically emphasized the importance of the work of the Centre on the promotion of regional economic integration and co-operation among developing countries, particularly through joint ventures.

14. Many delegations expressed their support for the Centre's work on transnational corporations and environmental protection in developing countries. Some delegations, however, were of the view that the proposed approach predominantly set forth the conceptual interrelationship between environment and development, while the operational interconnectedness was still to be developed. Several delegations requested that the Centre be more involved in the preparatory work of the United Nations Conference on Environment and Development.

15. Other delegations emphasized the importance of the further development of the comprehensive information system on transnational corporations. Those delegations also welcomed the Centre's efforts to gear the information system towards the needs of research and technical co-operation activities.

16. Several delegations urged that the invaluable experience and considerable intellectual potential of the expert advisers be more effectively utilized, particularly through their more active participation in the Commission's discussions and the dissemination to delegations of their expert assessment on various issues under consideration.

17. The Commission reviewed the draft programme on transnational corporations of the medium-term plan for the period 1992-1997 contained in document E/C.10/1990/CRP.1. Many delegations supported in general the proposed medium-term programme. Several delegations emphasized the particular importance of subprogramme 3, on strengthening the negotiating capacity of developing countries in their dealings with transnational corporations. With regard to subprogramme 1, on securing an effective code of conduct and other international arrangements and agreements relating to transnational corporations (the medium-term prospects for adoption of the code of conduct were uncertain) the code's outcome would depend on the political will of the negotiating parties.

18. Some delegations noted the revitalization of the work on international standards of accounting and reporting. Special reference was made to the activities of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting, particularly in the field of environmental accounting. One delegation said that its country would like to benefit more from the Centre's expertise in that area.

19. A number of delegations noted with gratitude the Centre's assistance to the intergovernmental negotiations on the code of conduct. In that regard, particular references were made to the organization of a symposium at The Hague on 15 and 16 September 1989, on the main outstanding provisions in the draft code, support to the meeting of the Enlarged Bureau of the special session of the Commission (New York, 23-25 January 1990) and a number of recent publications devoted to the code and code-related issues.

20. During the discussion of the item, several delegations commented on the report of the Secretary-General entitled "Transnational corporations and development: policies to stimulate the transfer of investment capital, technology and skills to developing countries" (E/C.10/1990/3). Those delegations supported in principle the proposal to start preparing country assessment studies with regard to the implementation of foreign direct investment policies. Such studies would be undertaken only for countries that volunteered to participate in the process and would be carried out in close co-operation with host Governments, upon their request, and other interested parties, including transnational corporations. Several delegations suggested that those studies should be carried out with a view to identifying existing country-specific problems and further enhancing foreign direct investment inflows. One delegation observed that a region-by-region, rather than a country-by-country approach, would be more appropriate.

21. A number of delegations expressed their satisfaction with the Centre's work on information dissemination. The quality and practical thrust of The CTC Reporter and the newsletter, Transnationals, were commended. An expert adviser, with reference to the growing importance of transnationalization for the evolution of the world economic system, suggested that the Centre's documentation and research results should be more widely disseminated to all interested constituencies, including national institutions of higher learning.

22. A number of delegations expressed satisfaction with the Centre's efforts to co-ordinate its activities with agencies and organizations within and outside the United Nations system. Several delegations, however, were of the view that more co-ordination was needed particularly in the work on transnational corporations and the environment and transnational corporations in services, including transnational banks.

23. In his concluding remarks, the Executive Director expressed thanks for the positive assessment by delegations of the activities of the Centre. At the same time, he said all the constructive critique and suggestions had been taken note of and would be taken into account in the future work of the Centre. The Executive Director also responded to specific questions raised by delegations and gave concrete examples of the Centre's co-ordination with individual United Nations agencies and non-United Nations organizations in implementing its mandated activities.

Action taken by the Commission

24. The Commission:

(a) Took note of the report of the Secretary-General on the activities of the United Nations Centre on Transnational Corporations and the activities of the joint units established with the regional commissions (E/C.10/1990/16) and the note by the Secretariat on the draft programme on transnational corporations of the medium-term plan for the period 1992-1997 (E/C.10/1990/CRP.1);

(b) Took note of the report of the Secretary-General entitled "Transnational corporations and development: policies to stimulate the transfer of investment capital, technology and skills to developing countries" (E/C.10/1990/3), in particular of the suggestion to undertake country-specific studies on the contribution of foreign direct investment to development, upon the request of interested Governments;

(c) Requested the Secretary-General to submit a report to the Commission at its seventeenth session on the activities of the Centre and the activities of the joint units established with the regional commissions and to report on any country-specific studies that might be undertaken at the request of individual countries.

(d) Requested the Secretary-General to take into account in the future work of the Centre the views expressed by delegations at its sixteenth session.